

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAC4694 – FORENSIC ACCOUNTING

(All sections / Groups)

9 MARCH 2018
3.00 p.m. – 6.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

- a) This question paper consists of **FOUR** printed pages excluding cover page with **FOUR** questions only.
- b) Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given..
- c) Write your answer in the Answer Booklet provided.

QUESTION 1

"You say that you were a chef before retraining as an accountant?... That's good, we could use a bookkeeper who can cook."

REQUIRED:

- a) Describe the symptoms that could possibly be observed if fraud is committed in an accounting department. (6 marks)
- b) By using the elements of fraud triangle, discuss why more frauds were committed by employees who have been working for longer tenure than those who are newly employed. (12 marks)
- c) Differentiate between employee fraud and unintentional error. (4 marks)
- d) State three (3) possible ways of employee fraud in electronic accounting information systems. (3 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 2

KUALA LUMPUR: The former group adviser and managing director of oil-and-gas services provider Tanjung Offshore Bhd, has claimed trial to two charges of fraudulent inducement and money-laundering.

Datuk Harzani Azmi, 49, was charged today with fraudulent inducement under Section 366 (1) (a) of the Companies Act 1965, which is punishable with 10 years' imprisonment, a RM250,000 fine or both.

For the second charge, he faces a maximum fine of RM5mil or five years in jail, or both under Section 4(1)(a) of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, if convicted.

Harzani was represented by Datuk N. Sivananthan.

Sessions Court Judge Mohd Nasir Nordin set bail at RM100,000 for each charge and fixed March 23 for next mention.

Source: The Star, 16 February 2016

REQUIRED:

- a) Discuss the types of evidence suitable for the above case. (12 marks)
- b) Explain the use of subpoena to obtain evidence. (4 marks)
- c) Discuss whether a forensic accounting expert witness is needed here. (3 marks)
- d) Explain the THREE (3) steps of money-laundering process and provide relevant example for each process. (6 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 3

Mr. Fazrin is the owner of Megah Department Store in a small town. Many of his employees have worked for his company for years, and he knows them and their families very well. Because his business is relatively small, and he knows his employees well, he has not worried about establishing sufficient internal controls. He does set example on how he wishes his employees to work. He is actively involved in the business, and he provides adequate training to new employees.

One day, Mr. Fazrin became suspicious about Azean who is an employee at a checkout desk. Mr. Fazrin feared that Azean might be stealing from the company by altering the day's totals at her register. Azean has worked for 10 years with Mr. Fazrin, and she has always been honest and reliable. After several weeks of investigation, Mr. Fazrin discovered that Azean has been stealing RM500,000 over several years. She explained that, at first, she stole mainly to pay for small gifts for her husband and young children. But the last year, her husband lost his job, they had another child, and she was not sure how to pay all of the bills.

REQUIRED:

- a) Describe the fraud scheme committed by Azean in Megah Department Store. (4 marks)
- b) Explain and relate the elements of fraud triangle to the above case. (9 marks)
- c) Describe THREE (3) symptoms of fraud that could be observed at Megah Department Store. (6 marks)
- d) Suggest THREE (3) ways to reduce fraud opportunities in Megah Department Store. (6 marks)

[TOTAL 25 MARKS]**Continued...**

QUESTION 4

BANGKOK: A Malaysian man wanted in the United States for credit card fraud amounting to US\$150mil (RM540mil) was arrested by Thai authorities and US Secret Service agents in Nonthaburi on the outskirts of Bangkok on Tuesday. Local media reported that the 43-years-old man had a warrant of arrest issued for him by a US court for illegal possession of data access device, hacking into computers and stealing data.

Crime Suppression Division police chief Supisal Pakdinaruenar said the man was a prominent member of a credit card fraud gang operating in the United States for the past three years and was believed to have fled to Thailand to evade arrest. He was arrested in a house in the Pak Kret district where he was staying with his Thai wife.

The group is believed to be involved in stealing credit card transaction data from people patronizing major restaurant and retail outlets like TJX, WalMart and Office Depot, and selling the information to other groups making counterfeit cards.

According to Supisal, the man had denied all the charges and was currently facing extradition to the United States.

Source: Bernama, 15 January 2008

REQUIRED:

- a) Assume you are hired as forensic examiner to investigate a fraud case above, advice to the authority the FOUR fraud investigation process. (8 marks)
- b) Discuss the steps of good fraud auditing. (10 marks)
- c) Explain the reasons for the failure of internal controls to detect the fraud above. (7 marks)

[TOTAL 25 MARKS]

End of Paper